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FISCAL IMPACT STATEMENT

LS 6731

BILL NUMBER: HB 1926

NOTE PREPARED: Jan 12, 2003

BILL AMENDED:

SUBJECT: Insurance Guaranty Association.

FIRST AUTHOR: Rep. Ulmer

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill amends the Guaranty Association law to provide for selection of members of the Board of Directors by the Commissioner of the Department of Insurance. The bill adds one member to the Association's Board of Directors. The bill increases liability limits on association-covered claims. The bill also requires the Association to determine fraud or neglect in certain settlements, releases, and judgments.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The Association is a nonprofit, unincorporated legal entity. All Association costs are paid from assessments of Association members. The addition of one extra board member and the increase in the covered liability amounts will not impact the state.

This bill may result in larger assessment on member insurers. However, the assessment cannot exceed 1% of the member insurer's net direct written premium. The assessment rate is based upon the claims paid during a given period. Increased assessments on Association members may increase insurance premiums. In 2000 the Association assessed the full 1 percent assessment for the workers compensation account. See the table below for the assessed rates for of all accounts in CY 2001 claims. (Note these assessments were made in CY 2002)

Rates Assessed in CY 2002 for CY 2001 Claims

Account	Rate Assessed
Workers Compensation	0.27294%
Auto Insurance	0.04973%
All Others	0.00000%

Source: Indiana Insurance Guarantee Association
1/9/03

The state is primarily self-insured and does not purchase any insurance subject to increased assessments. Thus, this bill is not expected to increase state expenditures.

Background: Member insurers of the Association include any person who is licensed or holds a certificate of authority to transact in Indiana any kind of insurance for which coverage is provided and include accident and casualty insurance.

The amount of the assessment cannot exceed 1% of the member insurer's net direct written premium. If the maximum assessment, together with the other assets of the association in any account, does not provide in any one year an amount sufficient to make all the necessary payments for that year, the funds available shall be prorated and the unpaid amounts paid as soon as funds become available. The total written premiums for Association members in 2000 for auto, workers compensation, and all others was \$5.4 B, with \$54.2 M assessment capacity (1% of net direct written premium). The Association has a total of 475 claims with \$4.2 M in outstanding reserves for the period January 1, 2001 through December 31, 2001. Since 1998 an estimated 21 claims have met or exceeded the cap. The Association only pays the unpaid medical and lost wages component of a claim. Any amount of a claim that does not meet these provisions is denied.

Explanation of State Revenues:

Explanation of Local Expenditures: The Association is a nonprofit, unincorporated legal entity. All Association costs are paid from assessments of Association members. The addition of one extra board member, and the increase in the covered liability amounts may not impact local governments or school corporations. However, increased assessments on Association members may increase insurance premiums in general. Total local costs are dependent upon the extent that a local entity purchases insurance and the amount that premiums increase as a result of this legislation.

Background: Member insurers of the Association include any person who is licensed or holds a certificate of authority to transact in Indiana any kind of insurance for which coverage is provided and include accident and casualty insurance.

Explanation of Local Revenues:

State Agencies Affected: All that purchase insurance.

Local Agencies Affected: All that purchase insurance.

Information Sources: Sally McCarty, Commissioner, Department of Insurance, 317-232-3520; Amy Strati, Chief Counsel, Department of Insurance, 317-232-2404; Indiana Insurance Guaranty Association: *Executive Director Report - April 2002, Executive Director Report - May 2002*; John Madsen, Indiana Insurance Guarantee Association, 636-8204 ext. 223; Kathy Toney, Indiana Insurance Guarantee Association, 636-8204 ext. 233.

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